

PROVISIONAL TAX **CHEAT SHEET**

Provisional tax is **income tax** that you **pay in advance** over two or three instalments, rather than having to pay it all in one go.

It is a requirement to pay income tax this way if "residual income tax" in your last tax return filed was over \$5,000

Key provisional tax payment dates*:

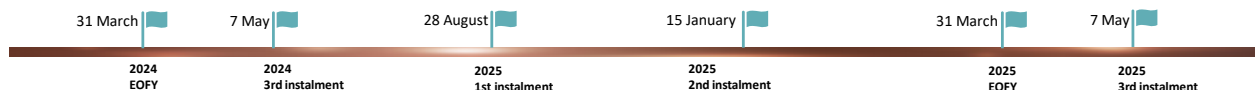
For those registered for GST on a 2-monthly basis or not GST registered

- ▶ 28 August – 1st instalment
- ▶ 15 January – 2nd instalment
- ▶ 7 May – 3rd & final instalment

For those registered for GST on a 6-monthly basis

- ▶ 28 October – 1st instalment
- ▶ 7 May – 2nd & final instalment

*For those with a 31 March balance date



How much do you pay?:

IRD will usually automatically work out the figures for you. The default method they use to work the figures out is to add 5% to the amount of "residual tax" in your previous income tax return (if it is over \$5,000). That amount will be your total for the next tax year, so divide it across the amount of instalments you are making to get your next payment amount. If your last income tax return filed was actually 2 tax years ago and over \$5,000, then you would add 10% instead of 5%.

HOWEVER...

There are a couple of key considerations to make before defaulting to this method, to ensure you are on the right side of avoiding any penalties and interest in relation to provisional tax:

1. Will your total **income tax** exceed \$60,000 in the upcoming tax year? Or,
2. Will your total **income tax** for the upcoming tax year be significantly lower than the 5% or 10% added to your last income tax return filed?

If your answer is yes to either of these, then you should work with your accountant to calculate what to pay and then ensure IRD is made aware in the correct manner.



There's a bit of crystal ball gazing when considering these factors, but you can work with your accountant on this to make it as easy as possible. It could mean the difference between getting it wrong and paying interest on an underpayment, or paying too much when you don't have to. Sometimes it's just simply getting that peace of mind that it is taken care of properly!

